

From: Susan Larsen
Sent: Wednesday, April 02, 2003 10:28 AM
To: Anthony Gambardella; August Wallmeyer; Barry Thomas; Cliona Robb; Craig Goodman; Cynthia Menhorn; Daniel M. Walker; David Wagner; Edward Flippen; Edward Petrini; Eric Matheson; Frann Francis; Glenn Simpson; H. Master; Irene Leech; Jack Greenhalgh; James Kimball; John Pirko; John R. Howells; Karen Bell; Kenneth Hyrwitz; Meade Browder; Michael Kaufmann; Michael Swider; Michelle Gunzburger; Paul Hilton; R.L. Terpenney; Ransome Owan; Robert Omberg; Robert Sloan; Stacey Rantala; Taff Tschamler; Telemac Chryssikos; Thomas Kinnane; Tom Nicholson; William Thomas
Subject: Stranded Costs Work Group

Thank you to all those that participated in yesterday's work group meeting. Our next two meetings are scheduled as follows:

Monday, April 7, 9am - 1pm

Monday, April 21, 9am - 1pm

We will continue to meet in the Training Room on the 3rd floor of the Commission's office building.

Staff met yesterday afternoon to discuss definitions of stranded costs and net just and reasonable stranded costs. We decided to use the definition set forth in the Attorney General's comments as a basis. This definition is general enough to encompass a variety of stranded cost components. It provides a clear simple definition that emphasizes an essential point, that stranded costs should be a means to account for lost revenues of an incumbent electric utility operating in a competitive environment, to the extent such losses can be attributed to competition.

Stranded Costs - Stranded Costs are a utility's lost revenues arising from electric generation-related costs that become unrecoverable due to restructuring and retail competition.

Net Just and Reasonable Stranded Costs - Net Just and Reasonable Stranded Costs are a utility's lost revenues arising from prudently incurred, verifiable and non-mitagable electric generation-related costs that become unrecoverable due to restructuring and retail competition.

1. Please provide comments on the above definitions by close of business Thursday. Include a discussion of why you support or oppose each definition. If you oppose the definition please include the definitions your organization supports and a full explanation of why it is appropriate.

2. Provide a list of all components of net just and reasonable stranded costs.

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